

Energy Switch Guarantee

Compliance Escalation Process

Purpose

This document sets out the updated Compliance Escalation Process that will be followed in the event that a signatory does not meet the KPIs for a given quarter. The updated process will take effect from Q1 2019 onwards.

Principles

- The ultimate purpose of the process is to ensure that the ESG is trusted by consumers and to protect the integrity of the ESG;
- Every compliance issue is unique and will be considered on its own set of facts;
- The aim of the process is to support signatories to quickly identify and address compliance issues;
- The reputation of the ESG as a whole is more important than an individual member.

The process

Stage 1

When would this apply to a signatory?

This stage of escalation would apply if a signatory's quarterly KPI submission identifies them to be non-compliant for one or more KPI. The Green-to-Red ratings are as follows:

KPI	Green-Red		Relevant Consideration
2A: 98% of switches completed in 21 days or less	98% or above	Below 98%	The average switch time in calendar days.
3A: 90% of final bills issued within 6 weeks or less.	90% or above	Below 90%	The average number of calendar days to issue the final bill.
4A: 90% of credit refunds issued within 14 days or less after the final bill	90% or above	Below 90%	The average number of calendar days to issue a refund after the final bill.

What would happen next?

A signatory would submit a summary of the reason for not meeting the target, when they expect the issue to be resolved, and where relevant the actions to be taken to resolve it. It is intended that this would be a minimal reporting burden for a supplier – it would be a simple commentary to accompany the email with their KPI submission.

Stage 2

When would this apply to a signatory?

This would apply if, for a second successive quarter, a signatory's quarterly KPI submission identifies them to be non-compliant for one or more KPI.

What would happen next?

At this point, a signatory would be expected to submit a formal action plan that outlines a summary of the issue, the action to be taken to resolve it, and the timeframe by which their KPIs will be back on track.

If the Independent Chair and sub-group expressed concern at the level of the assurance that could be drawn from a review of the draft plan, then this feedback would be shared and the signatory would be expected to submit a revised draft that addressed these concerns.

Stage 3

When would this apply to a signatory?

This would apply if, for a third successive quarter, a signatory's quarterly KPI submission identifies them to be non-compliant for one or more KPI.

In the event that Stage 3 does apply, Energy UK, as the administrator of the Guarantee, would at this point need to escalate the issue to a compliance committee:

- The compliance committee will consist of the Independent Chair of the ESG, a senior representative from Energy UK and a senior representative from Citizens Advice.
- The signatory will be invited to present to the compliance committee in both written submissions and an oral hearing. This will be a closed hearing.
- The committee is responsible for deciding whether or not a Signatory is in breach of the Guarantee and approving the most appropriate action to be taken. This decision will be made by majority vote if necessary. The decision about appropriate action must be proportionate to the nature, frequency, persistence and impact of the breach with suspension or termination being used as a last resort.
- Appropriate action could include an improvement plan, an audit to understand the issue further and or confirm actions have been taken to prevent a future breach, suspension or termination.
- It is to be expected that any case reaching this stage would require a more significant intervention than a request for an improvement plan, given that this would have already taken place earlier in this process.
- Following the decision, a short written statement will be shared with the ESG Governance Board and key stakeholders (Ofgem, Citizens Advice, BEIS and the Ombudsman Service) to inform them of the outcome of the committee hearing. This would outline whether or not a breach has been found, outline the appropriate action that would be taken and the factors that were considered in reaching this decision.

Potential actions in the event of non-compliance

In the event of a case being escalated under this process, possible actions include (but are not limited to) the following, in order of escalating severity:

- A requirement to submit a further improvement plan;
- A voluntary compensation payment to consumers affected by the poor performance;
- A commitment to submit and pay for an audit, undertaken by an independent auditor proposed by the signatory and approved by the ESG, to understand the issue further;
- Suspension of ESG signatory status, with readmission pending confirmation of a return to full compliance;
- Termination of ESG signatory status.

A high-level summary of the outcome of any compliance committee hearing will be shared on the ESG website. In such a case, the Signatory will be given an opportunity to see such a statement and comment before publication.

Severe or Sustained Compliance Concerns

If there is a serious breach of the commitments and the reputation of the ESG is put at risk, this process can be circumvented and the case can be escalated straight to Stage 3.

If a signatory is regularly failing to meet the commitments of the Guarantee and puts the reputation of the ESG at risk, yet does not reach Stage 3 due to occasional spells of full compliance, then the Chair reserves the right to escalate the issue in line with the ESG's principles of compliance.

A signatory that re-joins the ESG having previously been suspended from, or voluntarily left, the ESG for reasons linked to non-compliance will be subject to a 1-year probation period with an accelerated escalation procedure in the event of non-compliance. If the signatory is non-compliant, then the issue would immediately be escalated to Stage 3 of the compliance procedure. Stage 1 and 2 would not apply.